

Performance Update - Armytage Strategic Opportunities Wholesale Fund

Net Return %	1m	3m	6m	1yr	3yr	5yr	Incep (p.a)	Portfolio Yield	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Armytage	-2.07%	2.41%	3.59%	24.10%	9.62%	11.42%	11.89%	Distribution	4.2c	3.3c	3.4c	3.9c	4.0c	4.4c	4.2c	4.2c
All Ords Acc Index	-1.90%	0.75%	3.59%	24.06%	10.41%	9.30%	9.22%	Net Yield	9.2%	7.1%	7.2%	7.4%	7.1%	8.8%	7.4%	7.0%
								Gross Yield	11.1%	10.0%	8.5%	8.6%	8.4%	11.4%	10.62%	10.11%
Difference	-0.17%	1.66%	0.00%	0.04%	-0.79%	2.13%	2.67%	Approximate Gross Yield:								
																8.9%

Fund Commentary

- The All Ords Accum. Index failed to replicate the success of its US counterpart (S&P500 Index) as Trump's impeachment, the ongoing bushfires/PM backlash in Australia and escalating tension between the US and Iran weighed on markets. The Index declined 1.90% in December, with only 2 out of 11 sectors finishing the month in positive territory. However, markets delivered a +20% return CYTD.
- The Material sector performed relatively well in December, up 2.18%, supported by strong performances in small to mid-cap gold and steel stocks. Major miners performed in-line with the sector. Northern Star (NST) and Fortescue (FMG) stood out, whose share prices rallied 17.94% and 9.87% respectively.
- Mixed performances can be seen amongst Consumer Discretionary stocks. Retailers charged ahead, supported by positive reactions from several major sale events (Black Friday, Cyber Monday...), as well as momentum heading into the crucial Christmas trading period. News of Adairs (ADH) acquiring online furniture retailer Mocka sent share prices through the roof. In contrast, gaming & automotive part stocks generally underperformed. After setting a all-time high in Oct, shares in Jumbo (JIN) tumbled 27.34% after its recent trading update failed to meet market's expectations.
- Consumer Staples were the worst performing sector in December, decreasing 7.44% for the month. Woolworths (WOW) and Coles (COL) were caught up in staff and farmer underpayment controversies. The ongoing nationwide bushfires are expected to have material impacts on some of the agriculture stocks, which could potentially flow through to food pricings in the future.
- The fund paid a distribution of 2 CPU during the first half of FY2020.

No.	Company Name	ASX Code
1	CSL Limited	CSL
2	BHP Billiton Limited	BHP
3	Commonwealth Bank of Australia	CBA
4	Westpac Banking Corporation	WBC
5	Australia & New Zealand Banking Group Limited	ANZ
6	Wesfarmers Limited	WES
7	Aristocrat Leisure Limited	ALL
8	National Australia Bank Ltd	NAB
9	Kogan.com Ltd	KGN
10	Webjet Ltd	WEB

*Figures quoted above are net of fees and mark to market options

Past performance is not indicative of future performance. Inception date Aug 2005

Portfolio Structure Sector Weightings

GICS Sector	Fund	All Ords Accum. Index	Index 1 month perf (%)
Cash	9.94%	0.00%	0.00%
Communication Services	1.97%	4.30%	-4.42%
Consumer Discretionary	20.81%	7.30%	-2.28%
Consumer Staples	1.35%	5.78%	-7.44%
Energy	1.64%	5.90%	-1.57%
Financials	31.51%	27.27%	-1.46%
Health Care	12.06%	9.88%	-2.58%
Industrials	4.73%	8.84%	-2.45%
Information Technology	0.24%	3.31%	-4.40%
Materials	8.96%	17.60%	2.18%
Real Estate	5.05%	7.95%	-4.21%
Utilities	1.75%	1.87%	0.60%

The Portfolio is designed for investors who...

- Seek an above average yield with long term capital growth
- Expect consistent returns at below market volatility
- Have a long term investment horizon of at least five years

Investment Objective

The objective of the Armytage Strategic Opportunities Fund is to provide investors with a consistent, tax-efficient and growing cash dividend yield, and long-term capital growth from a concentrated portfolio of large, mid and small capitalisation Australian shares.

Enhanced Income & Lower Volatility

The fund targets above market income by combining high yielding equities with an exchange traded option exposure. The objective is to provide investors with a dividend yield that is at least 2.5% above the All Ordinaries Accumulation

For Further Information

Financial advisers seeking additional information can contact:

☎ 03 9674 0600

Investment Approach

A Four Stage Investment Process

Intensive bottom-up research is the cornerstone of the entire process, supplemented by top-down economic and thematic views. The process is disciplined and consistently applied, using a number of proprietary qualitative and quantitative techniques to ensure that targeted companies have been thoroughly scrutinised.

The aim is to uncover undervalued businesses. The companies that Armytage typically invests in are those with strong and reliable management, good profit and dividend growth expectations, reasonably predictable future profits and cash flows, and a very clear business model.

Stage 1: Defining the Investment Universe (Screening)

The first stage of the process is to narrow the number of stocks in the investment universe by applying a number of screens. This approach systematically eliminates companies that do not meet certain minimum standards, allowing the Investment team to focus more intensely on companies of potential interest.

Stage 2: Bottom-up Fundamental Company Research

Armytage's research programme is focused on understanding the key drivers of business performance and returns, namely people, operations, products and services, and market dynamics.

For companies remaining in the Investment Universe, Armytage undertakes a detailed assessment of executive management, interviews competitors and suppliers, reviews financials, and forms a clear view on the outlook for the company's industry.

Stage 3: Portfolio Construction

Risk management and capital preservation are key themes underlying the portfolio construction framework. With a focus on actively managing down-side portfolio risk for investors, Armytage constructs an efficiently diversified portfolio of high quality, undervalued companies, and invests for the long term (typically 3 to 5 years) in an effort to maximise after-tax returns.

Stage 4: Income Enhancement (ETO Overlay)

After the portfolio of stocks has been selected, we then utilise Exchange Traded Options (ETOs) to enhance the portfolio's overall yield and reduce volatility relative to the market as part of the fund's active investment strategy. This provides a stable platform for the delivery of strong and consistent distribution payments to investors. Importantly, ETOs are not used to gear the Fund, but rather to enhance the portfolios ability to generate above market income through a conservative buy/write, sell/put strategy where all positions are cash or asset backed.

About the Manager

Armytage Private is a boutique investment specialist majority owned by members of its investment team and key executives. Founded in 1995, Armytage is a pioneer in Australia's investment industry, offering a suite of actively managed IMAs and managed funds.

Armytage is a Value manager with a fundamental investment approach designed to identify quality businesses trading at a considerable discount to valuation. The process is guided by three fundamental beliefs:

- Markets are not perfectly efficient and the true value of a business is not always reflected in its share price;
- Undervalued companies can be identified through detailed and intensive research; and
- Capital preservation is critical to wealth creation.

The Armytage Team

Lee laFraté
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Portfolio Manager

Julian Mitchell
Portfolio Manager

Patrick Trindade
Portfolio Manager

Olivia Setchell
Portfolio Manager

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For Further Information

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